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INTRODUCTION

The Albion Public Schools (APS) entered into contract #BA-05-13002 with the Michigan Department of Human Services (DHS) to provide a Before and After School Program (BA) for children in grades K-9 that was to include age appropriate activities to promote intellectual, social, emotional, physical, or recreational skills of children. The contract totaled \$225,034 of which \$75,034.20 was specified for services performed during the period July 1, 2005 to September 30, 2005 and the remaining \$149,999.80 for the period October 1, 2005 through September 30, 2006. At the time of the audit APS had been reimbursed for their actual costs of providing the program for the period from July 1, 2005 to September 30, 2005 through submission of monthly billings to DHS.

SCOPE

The Office of Internal Audit performed an audit of APS to determine if their billings were accurate, and if the costs they charged were allowable and properly supported by the accounting records and other documentation in accordance with the terms of the contract. Our review covered the period July 1, 2005 through September 30, 2005. We also tested to determine if APS obtained documentation that children who participated in the program were TANF eligible.

EXECUTIVE SUMMARY

Based on our audit, we concluded that Albion Public Schools overbilled DHS \$54,051.61. They overbilled \$45,151.42 (\$40,789.90 for Albion College and \$4,361.52 for the Math Academy) because they billed for services provided prior to the start of the contract period. They overbilled \$3,251.71 for expenses incurred by Albion College that were not included in the budget statement between Albion Public Schools and Albion College. In addition, they billed \$10,010.00 (\$4,361.52 prior to the contract start date and \$5,648.48 during the contract period) for expenses for services they provided

directly, although the contract required that they subcontract for those services. In addition, we noted that Albion College provided services under this contract although they did not have a subcontract in place with the Albion Public Schools. Our report recommends that the Field Operations Administration initiate the process to recoup \$54,051.61 (\$40,789.90 + \$3,251.71 + \$10,010.00) from Albion Public Schools, and ensure that Albion Public Schools enters into a proper subcontract with Albion College.

FINDINGS AND RECOMMENDATIONS

Subcontract

1. Albion Public Schools purchased services from Albion College for the Before and After School Program without entering into a subcontract with the College. Albion Public Schools provided only a budget sheet to Albion College as a basis for purchasing their services. Page 8 of the contract between DHS and Albion Public Schools states that each subcontract made by APS must include ten specific provisions. In addition, page 7 of the contract states that Albion Public Schools' contracting and competitive bid process must be approved by the DHS Office of Contracts and Rate Setting.

WE RECOMMEND Field Operations Administration ensure that Albion Public Schools prepares subcontracts for services provided by other agencies and obtains prior written approval from the DHS Office of Contracts and Rate Setting for its contracting and competitive bid processes.

Albion Public Schools Response

Albion Public Schools responded as follows: **“Field Operations Administration with the Department of Human Services (DHS) Office for Contracts had reviewed and provided approval for subcontractors of Albion Public Schools for**

the Before and After School Program prior to the start of the contract. As noted in the findings, budget information had been provided to the Department. Albion Public Schools, however is working with the Zone 3 administrator and other field operation staff members to develop a sub contractors agreement. It is anticipated that such agreements will be signed and forwarded to the Zone 3 Administrator no later than January 31, 2006 for final approval.”

Service prior to Contract Start Date

2. Albion Public Schools provided services prior to the 7/1/2005 start date of their contract with DHS and billed DHS for the costs of providing those services. The contract does not allow for reimbursement of expenses incurred outside of the contract period. Total costs incurred prior to the 7/1/2005 start date were \$45,151.42 (\$40,789.90 for the Albion College Program and \$4,361.52 for the Math Academy Program).

WE RECOMMEND Field Operations Administration either initiate the process to recoup \$45,151.42 or determine if it would be appropriate to amend the contract to allow for the earlier start date.

Albion Public Schools Response

Albion Public Schools responded as follows: **Albion Public Schools (APS) is currently working with the Zone 3 Administrator with the Department of Human Services (DHS) to resolve the issue relating to the start of the grant and/or to amend the contract to allow for the earlier start date.”**

Lack of Payment Documentation

3. Albion Public Schools billed DHS the amount in the contract line item for contractual services and paid that amount to Albion College based on a telephone conversation. Albion College did not prepare a statement of expenditures or billing document to request payment from Albion Public Schools. We asked for and received documentation from Albion College for the expenses charged, and found that they had adequate documentation to support the amount of the payment they received. Albion Public Schools should obtain a billing that includes a statement of expenditures to document the amount paid to Albion College.

WE RECOMMEND that the Field Operations Administration monitor to ensure that Albion Public Schools obtains adequate supporting documentation for amounts paid to Albion College.

Albion Public Schools Response

Albion Public Schools responded as follows: **“Albion Public Schools (APS) in its fiduciary role, has developed a set of guidelines and procedures for billing for the Before and After School grant. Those guidelines are being shared with the Department of Human Services (DHS) and the sub contractors to comply with all billing procedures. Additionally, APS will continue to work with the Zone 3 administrator to ensure that adequate supporting documentation for amounts paid to Albion College as well as all sub contractors are in accordance with the guidelines and normal auditing, billing procedures and practices.”**

Albion College Expenses

4. Albion College included expenses for Travel and Lodging, Projects, and Contractual Services in the amount billed. However, these categories were not listed in the

budget sheets, which were the only documentation of an agreement between Albion Public Schools and Albion College. Therefore the \$3,251.71 in expenses pertaining to these categories is not allowable.

WE RECOMMEND the Field Operations Administration initiate the process to recoup the \$3,251.71 in overpayments.

WE ALSO RECOMMEND the Field Operations Administration work with Albion Public Schools to ensure that necessary subcontracts are properly prepared and that all necessary categories of expenses to be reimbursed are included in the subcontracts.

Albion Public Schools Response

Albion Public Schools responded as follows: **“Albion Public Schools (APS) is working with the Zone 3 administrator for Contracts to address this issue and to ensure that all budget expenditures are consistent with approved budget categories. In additionally, APS is working with Albion College to recoup the payment of \$3,251.71.**

“Furthermore, APS will continue working with the Zone 3 administrator to ensure that all sub contractor agreements are signed, and that budgets are aligned with current expenditures as approved by the Department of Human Services (DHS).”

Math Academy

5. The Math Academy was taught by an Albion Public Schools math teacher, and not by a subcontractor as required by the contract. The contract states: “ If the Contractor is

unable to identify a human service provider to provide services, the Contractor may not provide the service directly under this Agreement. A separate Agreement must be executed between DHS and the contractor for the direct services to clients....” Albion Public Schools billed \$10,010.00 for services they provided directly that should have been provided by a subcontractor.

WE RECOMMEND Field Operations Administration initiate the process to recoup the \$10,010.00 in overpayments for the Math Academy. (It should be noted that \$4,361.52 of this expense was disallowed in finding #2. Therefore the remaining portion of the expense to be disallowed is \$5,648.48.)

WE ALSO RECOMMEND Field Operations Administration monitor to ensure that Albion Public Schools complies with the terms of the contract in the future.

Albion Public Schools Response

Albion Public Schools responded as follows: **“Albion Public Schools is working with the Zone 3 Administrator to resolve the issue of subcontracting the Math Academy to the school system. An amended budget (approved by DHS prior to the start of the grant) will be provided in addition to any other documentation supporting the work and bidding process of the Math Academy as requested by the Zone 3 Administrator. Additionally, we are working with the Zone 3 Administrator to ensure that APS as well as its sub contractors comply fully with the Before and After School grant contract.”**

TANF Eligibility

6. Albion Public Schools used their free and reduced price lunch lists to determine TANF eligibility. All children served by the Math Academy were included on those

lists. The Albion College Program served 600 children. We tested a sample of 12 and found 1 (8%) that was not on the free or reduced price lunch lists. Albion College provided 51% match for the program. Therefore, they met the TANF eligibility requirement.